convention and its committees. These committees, which are not infrequently continued from convention to convention, are not supposed to confine their work to an exegesis of Marx but to secure the facts and interpret them scientifically. The actual results are of course often disappointing, though the matter is taken more and more seriously and sometimes there is presented by a committee a most enlightening analysis based upon a thorough exploitation of standard secondary material, government statistics and reports, and much original research. The important thing, however, is the method. It is refreshing, indeed, to see the representatives of an American political party assembled in convention gravely discussing a social or political problem on its merits in order that the party may occupy a portion that is at once tactically sound and scientifically tenable. It is commonly assumed that the Socialist party is absolutely fixed and dogmatic in its attitude. Nothing is farther from the truth. Marx is indeed the heroic figure, the absolute authority of the soap boxer, but in the Socialist convention the party program is being slowly and painfully wrought out on the basis of an honest attempt to face the facts.

There are many other peculiar characteristics of the Socialist convention which might be considered. Enough, however, has perhaps been brought out to justify the thesis that the Socialists in this country are creating a political organization and political methods that are worth consideration on their merits as possible contributions to a more wholesome, more democratic, and more progressive expression of the social will.

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WASHINGTON NOTES

THE WAYS AND MEANS COMMITTEE ON COTTON
REPEALING CANADIAN RECIPROCITY
JURISDICTION OF THE COMMERCE COURT
FACTS ABOUT THE COFFEE TRUST
THE RAILROADS AND THE CANAL

Another analysis of the Tariff Board's work has been prepared by the Committee on Ways and Means (H.R. Report No. 829; 62d Cong., 2d sess.). In this document, which is presented as a report to accompany

the new bill for the revision of the cotton tariff (H.R. 25,034), argument is developed to show that the investigations of the Tariff Board are incomplete and unsatisfactory. The principal basis of the committee's statements on this head is found in the fact, conclusively demonstrated, that the cotton report of the board (already reviewed in these pages) does not afford any information with respect to more than a very few of the paragraphs of the present cotton schedule. Probably not more than a third of the paragraphs of the schedule are dealt with, either directly or indirectly, by the board. For this reason, the committee argues, it could not, even if it were disposed to do so, revise the present duties in accordance with the findings. The argument, however, does not stop with this negative criticism, but continues with an analysis of the work done by the board, similar to that presented with reference to the report on wool and woolens. In general it is shown that a difference in the cost of yarns between Great Britain and the United States not exceeding from 5 to 15 per cent of total mill expense has been indicated by the report. Plain cotton cloths are found to be produced as cheaply here as in Great Britain. Fancy cotton cloths are apparently more expensive here, at least in some instances, than abroad, while knit goods, underwear, etc., are more expensive in the United States. The same is true of hosiery. Two points of considerable interest are noted by the committee in its analysis of the report. The first is the practical abandonment of the use of cost of production as a basis for the establishment of comparative rates of tariff duties. This abandonment is indicated by the fact that absolutely no costs are given, or even pretended to be given, for foreign countries, with the exception of those relating to yarns. For fabrics, nothing but estimates, obtained from foreign makers with respect to specified samples, is given. The yarn costs furnished are those which were obtained in the United States from twenty-eight mills and in Great Britain from some seven or eight mills in Lancashire. By a curious coincidence it has been discovered that yarn costs relating to the Lancashire mills were not taken from the books of the mills directly, as was done in the American mills, but were obtained surreptitiously by purchase from someone who had obtained them in confidence. Even the names of the mills were not known to the board, and it was therefore not possible to test the validity of the figures at any time. It may thus be fairly said that the board has no foreign costs whatever, so far as its own direct knowledge is concerned. The second important point is the adoption of the comparative price basis in lieu of the cost of production basis as a standard for tariff duties. On cloth samples, mill-selling prices

were obtained in Great Britain and in the United States, and these were then compared with the costs in the United States as obtained by a process of estimate from the books of the mills. The Ways and Means Committee rightly characterizes this process as a complete departure from the methods formerly advocated by the board and supported by President Taft in his messages to Congress. A point to which some attention is given in the committee's report is the almost exclusive dependence of the Tariff Board upon the supposed facts with reference to costs in Great Britain. The board stated that the reliance upon British costs was due to the circumstance that Great Britain was so much superior in its productive power to all other countries whose competition we had to meet, but the facts in the case as noted by the committee show that the more apparent reason was the absence of data from other countries. Even in Japan, where a special high-salaried expert was sent by the board, there was no adequate result in the compilation of data.

An interesting and significant aftermath of the Canadian reciprocity contest of last summer is found in the action of the Senate in attaching to the metal tariff bill (May 30) a provision repealing the Canadian reciprocity act, and in the action of the House of Representatives in declining (June 10) to assent to the amendment thus attached to the metal schedule. In its original form, the amendment providing for the repeal of the reciprocity act was brought forward by conservative Republicans in the upper chamber, and was then modified by the joint action of both conservative and radical Republicans so as to include a provision imposing a duty of $2 per ton upon print paper from whatever source imported. The object was not only to repeal the reciprocity act itself, therefore, but to avoid, in some measure, the offense to consumers of paper which such action would have implied. A flat repeal of the act would have meant the restoration of a duty of $3.75 per ton on print paper under the terms of the Payne-Aldrich tariff law which would then have been reinstated in full force. The action thus taken was undoubtedly the result of a combination between Progressives and Democrats to load down the metal schedule with an amendment which would result in a deadlock in conference committee. The accuracy of this forecast was seen as soon as the proposition got into the hands of the Ways and Means Committee and began to be considered by Democratic leaders in the House. It was their feeling that to assent to the repeal of Canadian reciprocity at this time would be to repudiate practically what was done

last summer, while at the same time it would undoubtedly give offense to the print paper consumers of the country. In a report defending this position (H.R. Report No. 829, 62d Cong., 2d sess.) the Ways and Means Committee therefore advised non-concurrence in the Senate amendments and succeeded in carrying its policy through the House by a small majority on June 10 as already stated. The action is significant because of the definite way in which it commits the Democratic party to the reciprocity policy, while at the same time laying it open to the imputation of unwillingness to make any sacrifice in order to insure the adoption of the metal schedule in both houses and its submission to President Taft. Democrats have of course replied that the retention of the reciprocity repeal clause would make certain the presidential veto which had already unofficially been threatened prior to the adoption of the amendment referred to. The fact is that Republicans of the conservative group have been unwilling that President Taft should be subjected to the necessity of vetoing the metal schedule bill if such action could be avoided. They found themselves unable to prevent the passage of some measure through the Senate although the plan which would undoubtedly have been passed had they been willing to offer continuous opposition would have been the Cummins (Progressive Republican) substitute for the House bill. Unwilling to see the insurgent substitute thus put through, they were compelled to permit the adoption of the Democratic bill by the expedient of leaving the chamber in sufficient number to give the Democrats a majority. The addition of the reciprocity amendment came as an afterthought and was resorted to for the purpose already indicated—that of avoiding if possible an executive veto, by "hanging up" the bill between the two houses.

The precise position of the newly established commerce court of the United States has at length been quite definitely fixed by the federal Supreme Court in a decision recently handed down by that body (*Procter and Gamble Company* v. *U.S., the Interstate Commerce Commission, etc.;* An appeal from the United States Commerce Court, No. 780, June 7, 1912). In this case, there was raised the question whether the shippers, the Procter and Gamble Company, had the right to ask for relief from decisions of the Interstate Commerce Commission in the Commerce Court. The Commerce Court held that it was entitled to permit shippers to file appeals from the decisions of the commission, such appeals to be determined on their merits by the court itself. The appeal to the Supreme Court in this case therefore involves not only the points at

issue in the particular controversy (which were of no general importance), but also the broad problem of jurisdiction. In dealing with the latter subject, the Supreme Court now holds that the terms of sec. 207 of the Judiciary Act of March 3, 1911, which codified the judicial procedure of the United States, grant to the Commerce Court the right to entertain only complaints as to the affirmative orders of the commission. In discussing the situation the court says:

> In view of the provisions of the act to regulate commerce . . . . as originally enacted, of the legislative evolution of that act, its uniform practical enforcement and the constant judicial interpretation . . . . it is impossible . . . . to give to the act creating the Commerce Court the meaning affixed to it by the court below, since to do so would be virtually to overthrow the entire system which had arisen from the adoption and enforcement of the act to regulate commerce. First, because as the previous ascertainment by the commission on complaint made to it as to whether violations of the act had been committed, with reference to the subjects as to which previous action was required, was an essential prerequisite to a right to complain in a court, the interpretation given below would, by destroying the necessity for the prerequisite action of the commission, operate to create a vast body of rights which had no existence at the time the Commerce Court act was passed. Second, because the recognition of a right in a court to assert the power now claimed would of necessity amount to a substitution of the court for the commission, or at all events would be to create a divided authority on a matter where from the beginning primary singleness of action and unity was deemed to be imperative. Third, because the result of the interpretation would be to bring about the contradiction and the confusion which it had been the inflexible purpose of the lawmaker from the beginning to guard against, an interpretation which would seemingly create rights hitherto non-existent and at once proceed to destroy such rights by bringing about a confusion which would render the rights which the act creates practically valueless. Indeed, these inevitable results of the interpretation given by the court below to the act would necessarily amount to declaring that Congress in seeking to unify and perfect the administrative machinery of the act to regulate commerce, and to make more beneficial its operation, had overthrown the whole fabric of the system as previously existing.

Congress meanwhile has been endeavoring to bring about the abolition of the Commerce Court; but independent of whether or not it succeeds in so doing, the decision of the federal Supreme Court in this case goes far toward placing the precise position of the Interstate Commerce Commission with reference to the courts of the country upon a definite basis.

The House Banking and Currency Committee, which has been carrying on the Money Trust investigation, has published the first product of its work as a study of the so-called coffee trust or coffee valorization enterprise (Investigation of Financial and Monetary Conditions in the United States; House Resolutions Nos. 429 and 504, Part I). The document brings together in a compact form many of the contracts and other original papers relating to the valorization scheme not previously easily to be had. With these are given figures showing arrivals, deliveries, and prices of various grades of coffee from 1886 to 1912. Included in the document is a voluntary statement made by Herman Sielcken, the American representative of the Brazilian government who carried on the valorization enterprise so far as it related to the United States. While the history of the coffee valorization proposal is well known, the relations between the enterprise and American financiers have been very much less evident and some fundamental features of the undertaking are now brought out in an official form for the first time. The financing of the Brazilian coffee crop was carried on by an international syndicate of bankers whose chief connection in the United States was the National City Bank of New York. This bank and its associates took, in all, bonds to the amount of $10,000,000, J. P. Morgan & Co., and the First National Bank of New York being associated in the transaction. A total issue of $75,000,000 was sold by Brazil for the purpose of valorization. This loan was secured by a guaranty of the Brazilian government and by that of the state of Sao Paulo, as well as by a quantity of coffee, which was stored in order to prevent it from coming upon the market and at the same time to furnish protection to the lenders. Mr. Sielcken, in representing the Brazilian point of view before the committee, gave probably a clearer exposition of the attitude of that country and of the international question involved in this transaction than has yet been afforded. He said:

During the four years that valorization was in effect the market did not advance. The government had financed the surplus crop for the purpose of preventing it, as much as possible, from going lower, and for the purpose of making it possible for the planters of Brazil to continue taking care of their plantations. . . . . If it had been impossible for them to obtain money . . . . the price of coffee today without the valorization would be higher than it is. In 1906 and 1907 the price would have gone very much lower. I have not the slightest doubt that that crop would have sold at a ridiculously low price, so low a price as to prevent the planters from paying interest on their mortgages or continuing their business, and if that had happened, the subsequent crops

would have been smaller and smaller all the time. We had at that time a record crop of nearly 20,000,000 bags in Rio and Santos; 15,000,000 bags in Santos alone. Since then the crops that we have had there have been, this year, say, 9,750,000 bags, last year 8,000,000 bags, and next year, from my information, I should say the crop would be 7,000,000 bags. In case the plantations had been neglected, we might have had crops of 2,000,000, 3,000,000, and 4,000,000 bags, and a price for coffee of 25 cents.

This is the view that the valorization plan was primarily intended to "equalize" the supply of coffee and thereby to establish "normal" conditions in the trade. The details of the experiment as now brought out in the official documents are of considerable interest, particularly in view of the reiterated demands for a similar method of "taking care of" the cotton crop of the southern states.

Entirely unexpected developments have taken place in connection with the Panama Canal legislation which is now pending in Congress, as it has practically been determined that the railroad question in certain important aspects is to be dragged into the discussion. On May 23, the House of Representatives passed a Panama Canal bill (H.R. 21,969) containing provisions which had not been predicted until very shortly before the adoption of the measure. The remission of tolls for all American vessels going through the canal had been feared if not anticipated by very many persons, so that it did not occasion much surprise. But the measure also contained in sec. 11 a provision which has since then become well known as the "Covington amendment," by which it was designed to prevent the passage of railroad-owned vessels through the canal. This section required that after July 1, 1914, railroad companies should cease to "own, lease, operate, control, or have any interest whatsoever . . . . in any common carrier by water with which said railroad or other carrier aforesaid does or may compete for traffic. . . . . Jurisdiction is hereby conferred on the Interstate Commerce Commission to determine questions of fact as to the competition or possibility of competition at the full hearing, on the application of any railroad company or other carrier." After a lengthy and very vigorous discussion before the Senate Committee on Inter-Oceanic Canals it was resolved to modify this provision by substituting clauses requiring "that no ship owned, chartered, operated, or controlled by a railroad company, or in which any railroad company has any interest whatsoever . . . . shall be permitted to enter or pass through the Panama Canal if engaged in the coastwise trade between ports of the United States." With this was

coupled a further stipulation that any ship of American registry, however owned or controlled, might operate through the canal in transoceanic trade to and from oriental or European countries and might be permitted to engage in coastwise trade between ports of the United States and intermediate foreign ports, provided that this should not be permitted to any ship owned or controlled by any railroad company except ships in transoceanic trade, and even then should not be permitted in the case of ships trading to Canadian, Mexican, or Central or South American ports nor to any ship unless it carried at least 50 per cent of its cargo in oriental or European trade. This provision was designed to reconcile the views of the coastwise interests which have demanded the total exclusion of railroad-owned ships, with those of the roads in the United States which have an interest in connecting water lines. Special influence was exerted by the New York, New Haven & Hartford Railroad, and by the Southern Pacific Railroad and the Pacific Mail Steamship Company against the provisions of the House bill. The modified measure was reported to the Senate on June 11. The terms of the Senate measure are not particularly satisfactory to these interests, although far more acceptable than those of the House. In this way the contest over the terms on which the canal may be used has broadened into a very sharp railroad controversy whose purpose now is that of forcing Congress to decide the relations which shall in future exist between rail and water carriers. Alternative with the two proposals just rehearsed is that of allowing railroad-owned ships to use the canal freely, but at the same time of subjecting them to stringent control by the Interstate Commerce Commission. This plan has at certain moments seemed to be decidedly in the lead, but has received a severe blow in a report recently made by the commission to the President wherein that body expresses the opinion that it cannot very successfully exercise the suggested jurisdiction over water carriers operating through the canal. No outcome can be reached for several weeks, and the controversy will undoubtedly be one of the sharpest of the session.